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**COST REDUCTION IN
LOS ANGELES COUNTY GOVERNMENT**

- a. User Fees
- a. Merit-Based Compensation
- a. Executive Step Increases
- a. Supervisory Levels
- a. Craft Wages
- a. Classification Stipends
- Total

no set

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**Los Angeles County
Economy and Efficiency Commission**

August, 1978

COST REDUCTION IN
LOS ANGELES COUNTY GOVERNMENT

This report contains seven recommendations directed towards reducing the cost of County government and improving its efficiency and effectiveness. For the most part, the recommendations are based on previous studies by the commission. If the recommendations are implemented effectively, we estimate they will reduce County expenditures by a total of approximately \$102 million annually.

The specific areas discussed in this report and their potential savings are:


<u>Area</u>	<u>Potential Savings (Millions)</u>
● User Fees	\$ 13.34
● Sheriff-Marshall Consolidation	3.5
● Automatic Step Increases	55.0
● Supervisory Costs	23.0
● Craft Wages	7.5
● Commission Stipends	<u>.24</u>
Total	\$102.58

This reduction cannot be accomplished overnight. Two of the recommendations, for example, will require legislation by the State, and two others will require negotiation and agreement with union representatives. Such requirements, however, in no way preclude the County from seeking ways to reduce costs and increase efficiency. Clearly one of the major messages of Proposition 13 was to reduce the cost of government. In response to the mandate of Proposition 13, the Board of Supervisors should take aggressive action to pursue these cost objectives. Such aggressive action would be consistent with the cost retrenchment program which the Board initiated three years ago.

In 1976 the Board established employee reduction goals which have reduced the workforce by over 2000 employees each year, principally through hiring freezes. It has limited the construction of new buildings to only on-going projects and has instituted 2% - 9% expenditure cuts in major County programs despite continued inflation.

In addition, the Board placed a charter amendment to revise the prevailing wage clause on the June, 1978, ballot, and the measure was approved by a 65% majority. In June the Board approved another cost saving amendment for the November ballot. This amendment will allow the County to contract for the performance of work with private firms when the Board finds that this method is more economic and feasible than using County workers. Thus in the past three years the Board has conducted a concerted effort to diminish its share of the total tax burden.

We commend the County for its actions and urge the Board to continue its retrenchment program.



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I. USER FEES
(POTENTIAL SAVINGS: \$13.34 MILLION PLUS)

Recommendation 1.

The Board should take every action feasible to secure legislation to increase civil filing fees in the Municipal and Superior Courts to fully recover County costs.

Recommendation 2.

The Board should direct the Chief Administrative Officer to investigate certain other designated areas where user fees may be practical.

Discussion

Wherever services are used by identifiable individuals or groups, those who benefit from or enjoy the service should pay for it. This principle has general validity except in cases where serious social problems would result - such as with services to the poor - or where the cost of collecting fees would exceed or largely offset the gain in revenue.

User fees do not directly reduce costs, but they do shift the burden from the general taxpayer to the individuals who use the service. It is true, however, that faced with the loss of taxpayer subsidy, the department involved may seek economies which it otherwise would ignore or oppose.

We therefore commend the Board's recent action in adopting admission fees for the County museums and arboreta, increasing the parking fees at the Music Center and 29 County beaches, and reinstituting a 10% surcharge on tickets for all performances at the Music Center.

The Board of Supervisors has also approved the introduction of legislation to increase civil filing fees in Municipal Courts, as recommended by the Chief Administrative Officer (CAO). According to the CAO, if these fees were increased to fully recover costs, the taxpayer would realize savings of approximately \$6 million annually.

Court fees over the years have not kept up with inflation. Consequently, the amount of increase for the County to recover full costs is substantial. The CAO estimates that the basic fee for civil filings should be increased from \$15 to \$37 and the basic fee for small claims filings be increased from \$2 to \$17.50.

We urge the Board to take every action to secure this legislation. We see no justification in the general taxpayer subsidizing civil litigants. In each case the losing party pays the filing fees, and he or she should pay the full cost to the County. (We understand that a similar bill sought by Marin County was withdrawn earlier this year by the author because of strong opposition from the Trial Lawyers Association and poverty groups.)

Similarly, we recommend that the civil, probate, and family law filing fees in the Superior Court be increased to recover full County operating costs. The Superior Court estimates that doubling the filing fees would make the courts in these areas self-supporting. Filing fees for civil and probate cases are now \$51 and would be increased to \$102; fees for family law cases are now \$56 and would be increased to \$112. The increase in revenues would amount to approximately \$7.34 million annually. We do not think these increases are unreasonable. Rather what seems unreasonable and unfair to us is that the general taxpayer should be subsidizing civil litigants in the Municipal and Superior Courts at the amount of \$13.34 million annually. Therefore, as with the Municipal Courts, we urge the Board to seek legislation to achieve this end.

We also recommend other areas where we believe the County should investigate the feasibility of instituting user fees. These areas are listed on the following page.

<u>Service</u>	<u>Net County Cost (Millions)</u>
Computer record copying	(?)
Emergency medical services	\$24.0
Estate administration	2.1
Farm Advisor services	0.1
Land use information systems	(?)
Mapping	3.9
Marina administration	0.1
Paramedic service	3.5
Pest control	0.2
Public Defender	14.0
Surveying	3.3
Tree maintenance	(?)
Weed hazard abatement	0.4

II. SHERIFF-MARSHAL CONSOLIDATION

(POTENTIAL SAVINGS: \$3.5 MILLION)

Recommendation 3.

The Board should again seek legislation to consolidate the Sheriff's Civil Division and the Marshal's office, either under the Sheriff or the Marshal.

Discussion

A classical case of "fat" in government is the duplication between the Marshal's office and the Sheriff's Civil Division. The two agencies perform almost identical functions. The Sheriff provides bailiffs for the Superior Courts - the Marshal for all the Municipal Courts. The Sheriff serves writs and processes issued by any court - so does the Marshal.

In 1967 our commission, after a five-month study, recommended consolidation under the Sheriff. We estimated at that time that consolidation would reduce personnel in the two agencies by 110 positions, at a savings of \$1.5

million a year. Since our study, the total personnel in these two functions has increased from 775 to 1,056; the personnel budget has increased from \$9 million to \$26.7 million. We estimate a consolidation now would save \$3.5 million annually. It would also add over 400 uniformed employees and over 200 police vehicles to the Sheriff's department.

In 1967 there were four facilities that housed both Superior and Municipal Courts. This required both the Marshal and the Sheriff to maintain offices almost across the hall from each other. We stated that, if consolidation were not effected, this duplication of facilities could only increase. Today there are 12 such facilities.

Of the 24 counties that have both Superior and Municipal Courts, ten operate only with a Sheriff. This is because eight counties did not establish a Marshal's office when the legislation was passed in 1925 allowing the establishment of the function, and two counties - Alameda and Kern - were allowed to abolish the Marshal's office in the 1950's.

Despite this situation, the Municipal Court Judges' Association and the Marshal's Association have lobbied successfully since 1968 to block legislation which would permit consolidation under either the Sheriff or the Marshal. Our commission supports consolidation either way. We favor consolidation under the Sheriff because our study concluded that consolidation under the Sheriff has a greater potential for savings and would unify and strengthen the County's police force.

The responsibility here lies directly with the State Legislature. There is absolutely no justification for prohibiting counties which want to consolidate from doing so when ten counties already are consolidated. We again recommend that the Board seek legislation to enable consolidation and to campaign aggressively at the State level to insure its passage.

III. AUTOMATIC STEP INCREASES (POTENTIAL SAVINGS: \$55 MILLION)

Recommendation 4.

The Board should continue as a high priority goal the replacement of the present automatic step increase plan with feasible and less costly alternatives.

Discussion

The automatic step increase plan is the County's method of placing individual employees within a salary range and allowing them to progress through the range. The range is divided into five steps. An employee serves one year on each step. Except for a negligible number of employees subject to discharge, progress through the steps is automatic. Each succeeding salary step is approximately 5.5% higher than the previous step, and the top of the range is approximately 25% higher than the bottom. The middle of the County range - the third step - is usually evaluated as close to the average rate paid for comparable work in the private sector.

Until this year the step plan had the effect of giving many County employees (approximately 30%) two pay increases each year: 1) the increase negotiated for them by their union or granted to non-union employees by the County, and 2) the additional 5.5% step increase.

This year the State "bailout law," which transfers \$4.1 billion of the State's surplus funds to local government, prohibits any pay increase by local governments because the Governor vetoed an increase for State employees. Last year the County negotiated two-year contracts for most of its union employees, with the stipulation that the covered employees would receive a pay increase of 4% - 5% this year. The total salary increase package for both represented and non-represented employees has been estimated at \$52 million by the CAO. The State law thus nullifies the negotiated or proposed increases,

and unless the provision is overturned by the courts, has saved the County \$52 million.

The State law, however, specifically exempts step increases. Thus approximately 24,000 County employees who are below the fifth step will still receive the 5.5% step increase this year.

In a report released in September, 1976, we recommended that the Board of Supervisors direct the CAO and the Department of Personnel to negotiate with the unions to phase out the step plan for all employees. We pointed out that 48,000, or 58% of all County employees, were on the fourth and fifth steps. Since the third step is considered as the level comparable to the average wage paid by private industry, these employees were receiving 5.5% to 11% more than the community average. If the County were to control the average at mid-range - as is the normal procedure with range systems in the private sector - we estimate that salary costs would be reduced by \$55 million annually.

This is a conservative estimate. Substantial evidence indicates that in many cases the County's third step is above the average prevailing in the private sector.

In 1977 the Contract Auditor of the Grand Jury surveyed the salaries of the 31 benchmark positions which the County uses with other data to determine prevailing rates. The average monthly salary of the 6,700 County employees in these positions exceeded salaries paid to comparable employees in private industry by 16.1%, or \$10.6 million. How much more the County may be paying above the prevailing rates for the 69,000 other positions in the County is open to conjecture.

It seems clear that if County employees do not receive the annual pay increase this year, they cannot consider themselves to be ill used. In most cases they are receiving better than average salaries and approximately 24,000

will still receive a 5.5% automatic step increase. Furthermore, those who do not receive the 5.5% increase are at the 5th step. They received their increases in previous years and are now 11% above the mid-point average.

The irony is that at the same time that the County is spending millions of dollars to pay above average salaries and to give a large segment of employees an automatic 5.5% increase, it is laying off hundreds of other employees because of Proposition 13 and the consequent budget squeeze.

Since our 1976 report, except for a minor procedural change, the County has had little success in securing agreement with the unions to phase out the automatic step plan and establish feasible and less costly alternatives.

The Department of Personnel has defended the present system with the statement that similar plans are standard in industry. The statement is inaccurate and misleading. Salary range plans are common in the private sector, but they rarely operate automatically over a 25% salary range. Negotiated plans are based either on flat rates or, if a range is used, operate automatically over a narrow range with fixed dollar steps rather than percentages. The top of the range is usually designed to be the going rate for the job. The steps represent movement along the learning curve to full proficiency. Plans with wider ranges are generally not collectively bargained plans and usually contain controls at the mid-point.

Failure to seek and achieve feasible and less costly alternatives is tantamount to asserting that in a public organization, there is no way to develop and implement a compensation system that is compatible with collective bargaining, controls average labor costs, and avoids automatic pay increases.

IV. SUPERVISORY COSTS
(POTENTIAL SAVINGS: \$23 MILLION)

Recommendation 5.

The Board should direct the Chief Administrative Officer to conduct detailed studies of the organization structure, particularly the levels of management and supervision, in each County department.

Discussion

In addition to the automatic step plan, the September, 1976, report also dealt with the problem of controlling supervision and management in Los Angeles County government.

According to payroll records for fiscal 1975-76, the County on an average employs one supervisor for every 5.8 subordinates. As many as 15 departments have supervisory ratios of 20% or more, that is, one or more supervisors for each 5 subordinates. We pointed out that if our data is valid, then the only feasible way of correcting the situation is to conduct a detailed investigation of the use and need for supervision department by department.

Although the Board approved this recommendation, to our knowledge little effective action has been taken. We know of no studies analyzing departmental organizational structures to determine if they have excessive supervision. We again emphasize, therefore, that the Board should direct the CAO to begin a detailed and systematic study of the supervisory structure of each department.

Just last month the Board of Supervisors, on motion of Supervisor Hahn, directed the CAO to conduct exactly this type of management review in the Department of Adoptions. The motion was occasioned by a report released by the Social Services Union, Local 535, which charged that the Department is spending 46 percent of its salary budget on supervisors when other workers face layoffs because of Proposition 13.

The union's figure is based on professional employees and does not include clerical workers. Our figure, which includes all employees, is 25%, or \$25 in supervisory cost for each \$100 in non-supervisory labor, still a high ratio. The union concluded its release with the following statement: "The board of supervisors has a clear opportunity to trim the fat of the department without cutting the muscle - a measure that could be applied to every department in the county." We agree completely with this statement.

It is impossible in general to predict the savings organizational simplification would achieve. Too much depends on the details of proposed changes and the explicit cost reduction goals which are established as part of the proposals. However, one can appreciate the magnitude of potential savings by examining some of the costs of the present structure. For example, the County spent \$235 million in 1975 on the salaries and benefits of nearly 10,000 positions classified as management or supervision. A County-wide goal to reduce administrative costs by 10%, if achieved, could therefore save \$23 million annually.

V. CRAFT WAGES (POTENTIAL SAVINGS: \$7.5 MILLION)

Recommendation 6.

The Board should permanently abandon the formula for paying craft workers based on wages negotiated by the Associated General Contractors with unions in the construction industry.

Discussion

Since 1966 our commission has been critical of the manner in which the County pays its craft workers, e.g., plumbers, painters, electricians, carpenters, welders, and a number of others. Six of these craft positions

are surveyed in the Joint Salary Survey, which collects data on what industry is paying for comparable jobs.

The County, however, does not pay its craft workers on the basis of this data. Rather, it pays them on the basis of a formula based on the wages negotiated by the Associated General Contractors (AGC) with the unions in the construction industry. These workers do not work on a permanent basis throughout the year. They move from job to job, and they are therefore paid a higher hourly wage rate to compensate for the time loss between jobs during the year. The County craft workers, like those in the Joint Salary Survey, work on a permanent basis throughout the year.

From the 1940's to the early 1970's, the County paid craft workers AGC rates less a fixed percentage to adjust for the excess of County fringe benefits over AGC benefits. The discount ranged from 10% to 12.5%. Despite the discount, this formula consistently yielded rates higher than those in the Joint Salary Survey.

In 1971, a new formula adjusting for both the length of the work year and the differences in fringe benefits was introduced into collective bargaining agreements. At the same time, the County adopted the objective of reducing the salary gap to negligible amounts by 1980, while still retaining the AGC rates as a basis for the formula. Despite the new formula, the cost of the differences between County rates and those reported in the Joint Salary Survey has substantially increased.

We have estimated the cost of the difference between County rates and rates reported in the Joint Salary Survey from available data for the four principal classes of journeyman carpenter, plumber, painter, and electrician. In 1965, the differential ranged from \$77 to \$194 per month, or the equivalent of

11% to 29% of salary for these jobs. At the time, the County employed approximately 900 people in craft positions. The cost of the craft wage differential was approximately \$1.1 million annually. In 1976, the wage differential ranged from \$283 to \$759 per month, or from 24% to 65% of salary. In that year, the County employed over 2000 craft workers, and the cost of the craft wage differential was approximately \$7.5 million.

In 1966 the commission stated, "We believe that the present AGC formula used by the County in setting salaries for some craft employees is inequitable. No employee outside of the crafts and only a portion of the craft employees have the privilege of having their rates tied to those of a special group with significantly different working conditions." The commission recommended that the County abandon the AGC formula and pay its craft workers on the basis of survey results of comparable "permanent" jobs and working conditions. The report added, "We do not recommend a cut in wages for these craftsmen, but we do believe that future increases should be appropriately controlled until the rates are in line with the data collected in such a survey."

This year, if the State's prohibition on pay increases holds, the County for the first time will have broken the AGC formula. We recommend that the County continue to hold the line on craft wages in future years until they are comparable to the survey data. The AGC formula, adjusted or not, should be permanently abandoned.

VI. COMMISSION STIPENDS
(POTENTIAL SAVINGS: \$240,000)

Recommendation 7.

The Board should replace the present stipend system for compensating members of commissions and committees with an expense system.

Discussion

In our 1977 report on the County budget, we pointed out that there are 84 citizen commissions in County government containing a total of nearly 1,000 members. Most of these are advisory boards, but there are other types. Some commissions act as appellate or regulatory bodies, such as the Civil Service Commission and the Regional Planning Commission. Some are technical or evaluative groups, such as the Architectural Evaluation Board. Others serve as governing boards, such as the Board of Governors for the Museum of Natural History and the Board of Education.

There is no consistent pattern in the compensation of commission members. Approximately one-half of the commissions serve with no compensation, including some extremely hard working commissions, such as the Architectural Evaluation Board and the Committee on Emergency Medical Care.

We strongly support the concept of citizen participation in County government. Commissions are the principal institutionalized means to maintain adequate levels of public scrutiny and to augment in-house expertise with the views of outsiders. However, we believe the Board should adopt an explicit policy to control the annual expenditure on stipends and expenses for commissions.

We believe that with few exceptions the Board should eliminate stipends as a method of compensating commissioners. The major justification of stipends is that they enable citizens to serve on commissions without cost. Consequently, some argue that elimination of stipends would reduce the access of poor or middle-income people to service on commissions. If commissioners who request it are reimbursed for expenses, this problem should be resolved. We believe, therefore, that the stipend policy should be replaced by an expense reimbursement policy. We doubt that potential savings would be diminished significantly by the alternative expense policy. The incremental cost of processing claims

in a County that now has over 16,000 mileage permittees would not be an administrative burden. Similarly, we doubt that many commissioners could document expenses of \$25 per meeting, which is the typical minimum stipend.

The only exceptions should be commissions whose members are required 1) to devote full-time or nearly full-time effort to the work of the commission, or 2) to provide expert and technical services which cannot be performed effectively by County employees. For these reasons, we recommend that the Assessment Appeals Board, the Civil Service Commission, the Regional Planning Commission, and the Employee Relations Commission retain their current stipends. The first three require nearly full-time service, and the fourth involves the hiring of expertise. On the basis of these criteria, the Board of Supervisors may decide to retain the current stipend for some additional commissions.

Recently the Aviation Commission and the Commission on Judicial Procedures recommended that their stipends and that of similar boards and commissions be eliminated. In 1976 the Emergency Medical Care Commission made a similar recommendation. We concur with these commissions and commend them for their action.

On June 28 the Chief Administrative Officer recommended the elimination of stipends for 27 advisory commissions and committees. The savings would amount to \$209,530. The Chief Administrative Officer limited his recommendation to advisory commissions only. We understand from him that two regulatory commissions - the Engineering Geologist Review and Appeals Board and the Water Appeals Board - have agreed that their stipends should be eliminated.

We recommend that in addition to the 27 advisory commissions the Board also consider eliminating the stipends for the following regulatory boards:

<u>Commission</u>	<u>Meeting Stipend</u>	<u>Estimated Annual Savings</u>
Building Rehabilitation Appeals Board	\$ 75	\$13,500
Engineering Geologist Review and Appeals Board	25	1,500
Local Agency Formation Commission	75	5,400
Board of Retirement	100	6,000
Water Appeals Board	25	<u>4,800</u>
Total		\$31,200

With the approval of these recommendations, the Board of Supervisors for the first time will have adopted a clear and consistent policy on commission compensation.



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